

Message Text

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ACTION PM-07

INFO OCT-01 EA-11 ISO-00 AID-20 IGA-02 OMB-01 ACDA-19

TRSE-00 EB-11 MC-02 COME-00 CIAE-00 INR-10 NSAE-00

RSC-01 L-03 DRC-01 /089 W

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R 150956Z OCT 73

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 006

SECDEF WASHDC

INFO CINCPAC

C O N F I D E N T I A L TAIPEI 6288

E.O. 11652: GDS

TAGS: MASS, TW

SUBJECT: STATUS OF FY 1974 MILITARY ASSISTANCE FUNDING

REF: STATE 200320

1. IN CONSIDERING REFTEL, WE HAVE ASSUMED: A) REFTEL FIGURES REPRESENT STATE/SEFENSE PROJECTION OF MAP (I.E., GRANT) FUNDING FOR FY 1974 AND NOT FMS CREDIT AVAILABILITY; B) U.S. FINANCIAL OBLIGATION TO ROC UNDER TERMS OF ENHANCE PLUS UNDERSTANDINGS (US\$45.9 MILLION, OF WHICH --PER CO-PRODUCTION MOU--REMAINING \$28.3 MILLION IS DUE IN FY 74) IS SUBSUMED UNDER F-5E LINE PARAS 3 AND 5 REFTEL SINCE ENHANCE PLUS COSTS WERE TO BE BORNE INITIALLY BY MAP, SUBJECT TO REIMBURSEMENT FROM MASF ACCOUNTS; AND C) TRAINING IN AMOUNT OF \$500,000 AND RESIDUAL SUPPLY OPERATIONS (\$5.7 MILLION) FOR ROC ARE INCLUDED IN REFTEL TOTALS.

2. IF USG IS FORCED TO RADICAL CUTBACKS IN FUNDING, THE MOST SEVERE IMPACT ON ROC WOULD BE IN F-5E CO-ASSEMBLY/CO-PRODUCTION PROGRAM. US SUPPORT FOR THIS PROGRAM IS NOT ONLY SET FORTH IN OUR MOU BUT ALSO IN OUR AIDE MEMOIRE OF NOVEMBER 8, 1972. THE LATTER DOCUMENT, WHILE CONTAINING A CAVEAT ABOUT AVAILABILITY OF FUNDS, CONFIDENTIAL

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WAS NEGOTIATED WITH THE PREMIER AND IS CERTAINLY CON-

SIDERED BY HIM TO BE AN AUTHORITATIVE CONTRACTUAL OBLIGATION. IF THE US WERE TO "CANCEL" ITS PORTION OF THE F-5E PROGRAM, IT WOULD PRODUCE SHOCK AND CONSTERNATION IN THE ROC, COMPOUNDING FEELINGS OF ANXIETY CAUSED BY THE DRAWDOWN OF US FORCES ON TAIWAN. IF THE US WERE TO "DEFER" ITS OBLIGATION UNTIL FUNDS SUBSEQUENTLY AVAILABLE, THE ROC WOULD PRESUMABLY FIND SOME WAY TO COMPENSATE FROM ITS OWN RESOURCES. YET SUCH COMPENSATION WOULD BE EXTREMELY DIFFICULT FOR VARIOUS REASONS INCLUDING ROC'S BUDGETARY CYCLE. THUS, COUNTRY TEAM STRONGLY URGES THAT PROPORTIONATE SHARE (I.E., \$28.3 MILLION) OF \$87 MILLION IN F-5E LINE (PARA 5 REFTEL) BE ALLOCATED FY FY 74 TO ROC TO MEET THIS KEY U.S. COMMITMENT.

3. TRAINING, AT \$28 MILLION, DOWN ONLY SLIGHTLY FROM \$33 MILLION IN CONGRESSIONAL PRESENTATION SHOULD STILL PROVIDE ROC BULK OF FUNDS REQUIRED FOR SMALL (\$500,000) MUCH-NEEDED TRAINING.

4. A FIGURE OF \$5.7 MILLION FOR SUPPLY OPERATIONS FOR ROC WAS INCLUDED IN FY 74 AUTHORIZATION REQUEST. WE ASSUME THE GLOBAL FIGURE PROJECTED (\$69 MILLION) FOR THIS CENTRALLY-ADMINISTERED ACCOUNT WILL PROVIDE THE BULK OF ROC NEEDS RELATED TO PRIOR PROCUREMENT ACTIONS AND ISSUANCE OF MAP MATERIALS AND EXCESS ARTICLES UNDER MAP.

5. IN SUMMARY, PROVIDING ABOVE COMMITMENTS ARE MAINTAINED INTACT, WE ANTICIPATE LITTLE IMPACT OF PROJECTED MAP DOWNTURN ON ROC PROGRAMS. IF, HOWEVER, STRINGENCIES ON GRANT ASSISTANCE IMPEL CONGRESS TO MAKE DRASTIC CUTBACKS IN FMS CREDIT AVAILABILITY, SEVERAL ROC PROGRAMS WILL SUFFER. MOST SERIOUS EVENTUALITY WOULD BE OUTRIGHT "CANCELLATION" (PER REFTEL) OF KEY PROGRAMS AS A RESULT OF TERMINATION OF US SUPPORT. WE BELIEVE WE SHOULD AVOID THIS COURSE AT ALL COST.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, APPROPRIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TAIPEI06288
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS MCCONAUGHY
Errors: N/A
Film Number: n/a
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731031/aaaaawmr.tel
Line Count: 98
Locator: TEXT ON-LINE
Office: ACTION PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 200320
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by kelleyw0>; APPROVED <14-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS OF FY 1974 MILITARY ASSISTANCE FUNDING
TAGS: MASS, TW
To: STATE DOD
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005